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(Original Signature of Member)

108TH CONGRESS
1ST SESSION

H. R. _____

To call for the cancellation of loans made to Iraq by multilateral financial institutions.

IN THE HOUSE OF REPRESENTATIVES

Mrs. MALONEY introduced the following bill; which was referred to the Committee on _____

A BILL

To call for the cancellation of loans made to Iraq by multilateral financial institutions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Iraqi Freedom From
5 Debt Act".

6 **SEC. 2. FINDINGS.**

7 The Congress finds as follows:



1 (1) Debt cancellation can be an essential tool in
2 rebuilding a nation destroyed by war and humiliated
3 by its leadership. It is an effective development tool
4 that releases funds within a nation that can be used
5 to address poverty and meet essential human needs.

6 (2) A significant amount of Iraq's outstanding
7 loans were taken out at the behest of Baath Party
8 leadership and rather than being used for the benefit
9 or the well-being of the Iraqi people were used for
10 building lavish palaces, secret police, prisons, and il-
11 legal weapons programs.

12 (3) According to international precedent, debts
13 incurred by dictatorships for the purposes of op-
14 pressing their people or for personal purpose may be
15 considered "odious". In cases where borrowed money
16 is used in ways contrary to the people's interest,
17 with the knowledge of the creditors, the creditors
18 may be said to have committed a hostile act against
19 the people. Under such reasoning, such debts may
20 be questioned.

21 (4) The United States set the first precedent of
22 odious debt forgiveness in 1898 when it seized con-
23 trol of Cuba from Spain.

24 (5) Odious debt includes illegal lending. The
25 United Nations Security Council Resolution 661 ex-



1 pressly forbade “the sale or supply...of any commod-
2 ities or products, including weapons or any other
3 military equipment”. Numerous countries appear to
4 have violated this resolution.

5 (6) The IMF and the World Bank have suffi-
6 cient resources to cancel or adjust significantly
7 downward all of Iraq’s debts to these institutions.
8 Such an action would set a precedent to follow for
9 other creditors, odious or not, throughout the rest of
10 the world.

11 (7) The World Bank group does not maintain
12 active operations in Iraq. The last time an institu-
13 tion in the group approved a loan for Iraq was in
14 1973. In 1990, Iraq entered into non-accrual status
15 (failure to make loan payments) with the Inter-
16 national Bank for Reconstruction and Development
17 (World Bank). Iraq’s obligations to the World Bank
18 total \$82,000,000.

19 (8) Iraq does not have any outstanding loans
20 from the International Monetary Fund (IMF), but
21 Iraq does have arrears of close to \$72,000,000
22 (slightly over 52,000,000 Special Drawing Rights)
23 on its use of Special Drawing Rights.

24 (9) The cancellation of all of Iraq’s debts would
25 remove a major impediment to poverty reduction



1 and economic growth in Iraq, enable Iraq to invest
2 its resources in health care, education, and poverty
3 reduction, and give Iraq a fresh start in the post-
4 war period.

5 **SEC. 3. RELIEF OF THE ODIOS DEBT OF IRAQ.**

6 (a) UNITED STATES POSITION IN THE INTER-
7 NATIONAL FINANCIAL INSTITUTIONS.—The Secretary of
8 the Treasury shall instruct the United States Executive
9 Director at each international financial institution (as de-
10 fined in section 1701(c)(2) of the International Financial
11 Institutions Act) to use the voice, vote, and influence of
12 the United States to induce the respective institution to
13 cancel or radically adjust downward all debts owed by Iraq
14 to the institutions in line with the Paris Club negotiations.

15 (b) SENSE OF THE CONGRESS.—The Congress urges
16 the President to commence immediately, within the Paris
17 Club of Official Creditors and elsewhere, efforts to urge
18 France, Russia, and all other public and private creditors
19 to cancel or radically reduce all debt owed by Iraq.

20 **SEC. 4. REPORT TO THE CONGRESS.**

21 Not later than December 31 of each year, the Presi-
22 dent shall—

23 (1) submit to the Committees on Financial
24 Services, on Appropriations, and on International
25 Relations of the House of Representatives and the



1 Committees on Foreign Relations, on Banking,
2 Housing, and Urban Affairs, and on Appropriations
3 of the Senate a report on the activities undertaken
4 under this Act; and
5 (2) make public a copy of the report.

